

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY
FINANCIAL STATEMENTS
June 30, 2023

REVIEW ENGAGEMENT REPORT
STATEMENT OF FINANCIAL POSITION
STATEMENT OF OPERATIONS
STATEMENT OF CHANGES IN NET ASSETS
STATEMENT OF CASH FLOWS
NOTES TO FINANCIAL STATEMENTS



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INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Directors of Lower North Thompson Community Forest Society

We have reviewed the accompanying financial statements of Lower North Thompson Community Forest Society that comprise the statement of financial position as at June 30, 2023 and the statements of operations, changes in net assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these financial statements do not present fairly, in all material respects, the financial position of Lower North Thompson Community Forest Society at June 30, 2023, and the results of its operations and its cash flows for the year then ended in accordance with the Canadian accounting standards for not-for-profit organizations in conjunction with accounting standards for private enterprises.

Finnie Hunka LLP
Chartered Professional Accountants

Kamloops, BC
October 23, 2023

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY
STATEMENT OF FINANCIAL POSITION
June 30, 2023

	2023	2022 (as restated- Note 18)
ASSETS		
CURRENT ASSETS:		
Cash	\$ 1,046,968	\$ 686,531
Accounts receivable	45,091	660
Goods and services tax recoverable	16,544	12,209
BCCFA - Wildfire Risk Reduction project	-	1,720
Refundable taxes withheld	-	77
Inventory (Note 2)	188,286	139,449
Prepaid expenses and deposits	39,982	55,633
Current portion of Guaranteed Investment Certificates (Note 3)	<u>587,500</u>	<u>325,305</u>
	1,924,371	1,221,584
LONG TERM GUARANTEED INVESTMENT CERTIFICATES (Note 3)	989,106	1,261,796
LONG TERM INVESTMENTS - QTRADE (FMV \$2,654,013) (Note 4)	2,611,318	2,498,420
PROPERTY AND EQUIPMENT (Note 5)	<u>1,480,866</u>	<u>1,568,546</u>
	\$ 7,005,661	\$ 6,550,346

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable and accruals	\$ 102,887	\$ 70,069
Payroll remittances payable	16,232	11,443
Provincial sales tax payable	648	158
Deferred grant revenue (Note 6)	56,525	59,850
Current portion of silviculture liability (Note 7)	<u>218,691</u>	<u>263,847</u>
	394,983	405,367
LONG TERM SILVICULTURE LIABILITY (Note 7)	<u>1,510,942</u>	<u>1,384,519</u>
	<u>1,905,925</u>	<u>1,789,886</u>
NET ASSETS - INTERNALLY RESTRICTED FOR OPERATIONS	1,748,072	4,249,120
NET ASSETS - INTERNALLY RESTRICTED TO PROVIDE FOR:		
Expansion and Job Creation (Note 8)	3,150,000	250,000
Skate Park (Note 9)	-	55,000
Environment (Note 10)	50,000	50,000
Education (Note 11)	30,000	30,000
Forest Stewardship (Note 12)	66,664	61,964
Scholarships and Bursaries (Note 13)	55,000	50,500
Community grants (Note 14)	<u>-</u>	<u>13,876</u>
	5,099,736	4,760,460
Commitments (Note 15)	<u>\$ 7,005,661</u>	<u>\$ 6,550,346</u>

APPROVED BY THE DIRECTORS:

Director

Director

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY
STATEMENT OF OPERATIONS
Year ended June 30, 2023

	2023	2022 (as restated- Note 18)
REVENUE:		
Timber	\$ 3,627,931	\$ 1,513,890
Lumber, product and milling	96,011	86,155
Firewood and delivery	174,572	179,846
Grants	23,561	73,681
Equipment rental and other	12,900	1,280
Forest Enhancement Society of BC (Note 16)	7,290	-
Land based investment funding (Note 16)	320,214	56,937
Wildfire risk reduction (Note 16)	<u>28,900</u>	<u>49,526</u>
	<u>4,291,379</u>	<u>1,961,315</u>
EXPENSES:		
Advertising and promotion	16,995	18,486
Bank charges	69	73
Bad debts	295	240
Community meetings	11,800	-
Contracting	2,123,480	553,376
Equipment rental	2,705	221
Forest development	2,243	29,294
Forest Enhancement Society of BC (Note 16)	32,180	-
Fuel	37,449	32,606
Insurance	36,841	34,022
Land based investment expenses (Note 16)	290,681	50,527
Licenses, dues and fees	4,875	5,038
Log purchases, hauling and direct costs (Note 17)	72,315	124,663
Office	9,834	7,643
Office rent	6,350	4,800
Professional fees	5,406	5,666
Repairs and maintenance	41,074	41,217
Silviculture	379,260	270,381
Stumpage and annual rent	160,149	67,509
Supplies	11,705	10,903
Telephone	3,375	3,035
Travel	2,399	-
Utilities	4,645	4,806
Wages and benefits	361,267	364,831
Wildfire risk reduction (Note 16)	<u>39,464</u>	<u>65,675</u>
	<u>3,656,856</u>	<u>1,695,012</u>
EXCESS REVENUE OVER EXPENSES FROM OPERATIONS	634,523	266,303
OTHER REVENUE AND (EXPENSES):		
Interest income	67,791	44,081
Unrealized gain (loss) on investments	-	6,941
Dividend income - Ordinary	612	557
Dividend income - Eligible	55,886	5,797
Capital gains dividends	546	48
Grants disbursed - Trans Mountain Education	(3,325)	(6,650)
Loss on disposal of property and equipment	(11,031)	(108)
Amortization	<u>(92,425)</u>	<u>(106,123)</u>
EXCESS OF REVENUE OVER EXPENSES, as previously stated	652,577	210,846
Reverse unrealized gain on investments (Note 18)	<u>-</u>	<u>(34,345)</u>
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR, restated	<u>\$ 652,577</u>	<u>\$ 176,501</u>

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY
STATEMENT OF CHANGES IN NET ASSETS
Year ended June 30, 2023

	Internally Restricted to provide for specified funds	Internally Restricted for operations	Total 2023	Total (as restated- Note 18) 2022
Balance, beginning of the year	\$ 511,340	\$ 4,249,119	\$ 4,760,459	\$ 4,808,398
Excess of revenues over expenses	-	652,577	652,577	210,846
Net expired fund allocations	(7,500)	7,500	-	-
New fund allocations:				
Environment	50,000	(50,000)	-	-
Skate Park	-	-	-	-
Forest Stewardship	50,000	(50,000)	-	-
Scholarships and bursaries	50,000	(50,000)	-	-
Community grants	111,124	(111,124)	-	-
Expansion/Job Creation	2,900,000	(2,900,000)	-	-
Covid Community Initiative	-	-	-	-
Fund expended:				
Environment	(50,000)	-	(50,000)	-
Skate Park	(55,000)	-	(55,000)	-
Forest Stewardship	(45,301)	-	(45,301)	(25,316)
Scholarships and bursaries	(38,000)	-	(38,000)	(13,000)
Community grants	(125,000)	-	(125,000)	(86,124)
Expansion/Job Creation	-	-	-	(100,000)
Covid Community Initiative	-	-	-	-
Ending balance, as previously stated	\$ 3,351,663	\$ 1,748,072	\$ 5,099,735	\$ 4,794,804
Impact of change in accounting policy	-	-	-	(34,345)
Ending balance, restated	<u>3,351,663</u>	<u>1,748,072</u>	<u>5,099,735</u>	<u>4,760,459</u>

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY
STATEMENT OF CASH FLOWS
Year ended June 30, 2023

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from customers	\$ 4,245,420	\$ 2,054,348
Cash paid to suppliers and employees	(3,659,536)	(1,672,580)
Bank charges paid	(69)	(73)
Interest and dividends	<u>124,835</u>	<u>50,482</u>
Cash flows from operations	<u>710,650</u>	<u>432,177</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
New borrowings	-	(60,000)
Silviculture liability	81,267	14,811
Funds expended from restricted net assets	<u>(313,301)</u>	<u>(224,441)</u>
Cash flows used in financing	<u>(232,034)</u>	<u>(269,630)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(35,776)	(46,711)
Proceeds on disposal of property and equipment	20,000	-
Long-term investments	<u>159,792</u>	<u>(1,855,619)</u>
Cash flows from (used in) investing	<u>144,016</u>	<u>(1,902,330)</u>
INCREASE (DECREASE) IN CASH RESOURCES	622,632	(1,739,783)
CASH RESOURCES, beginning of year	<u>1,011,836</u>	<u>2,751,619</u>
CASH RESOURCES, end of year	\$ 1,634,468	\$ 1,011,836
CASH RESOURCES CONSISTS OF:		
Cash	\$ 1,046,968	\$ 686,531
Current portion of long term investments	<u>587,500</u>	<u>325,305</u>
	\$ 1,634,468	\$ 1,011,836

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1. ACCOUNTING POLICIES:

Nature of operations:

The Lower North Thompson Community Forest Society (the "Society") is incorporated under the Society's Act of British Columbia as a not-for-profit organization; they are exempt from income tax under section 149(1)(l). The purpose of the Society is to:

- a) Create a long term sustainable plan for the forest resources that benefit the people of the Lower North Thompson;
- b) Preserve ownership of local natural resources for the people of the area, promoting self determination for the people of this valley;
- c) Create sustainable employment, new business opportunities and investment;
- d) Provide a new opportunity for community management of local crown land;
- e) Provide long term opportunities for achieving a range of community objectives including:
 - i) employment,
 - ii) skills training,
 - iii) forest related education, and
 - iv) social, environment and economic benefits.
- f) Meet objectives of the government in respect of environmental stewardship including the management of timber, cultural and heritage resources.

Basis of presentation:

These financial statements of the Society have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO) in conjunction with accounting standards for private enterprises (ASPE) on a going-concern basis, which assumes that the society will be able to realize its assets and discharge its liabilities in the normal course of business.

Revenue recognition:

Lower North Thompson Community Forest Society follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

The Society recognizes revenue when goods are shipped and the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable.

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1. ACCOUNTING POLICIES (continued):

Cash:

Cash is defined as cash on hand and cash on deposit, net of cheques issued and outstanding at the reporting date. Cash appropriated for other than current purposes is shown as a long term asset.

Investments:

Investments, which consist primarily of guaranteed investment certificates and marketable securities are measured at cost. Any investment with a maturity date under twelve months is classified as current.

Inventory:

Inventory is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis. Inventory consists of culverts, cattleguards and logs.

Equipment:

Equipment is stated at cost. Amortization is based on the estimated useful life of the assets and is recorded using the following annual rates:

Equipment	20% declining balance
Automotive	30% declining balance
Computer Equipment	30% declining balance
Fencing	10% declining balance
Machinery - Sawmill	Straight line over 15 years

The Society regularly reviews its equipment to eliminate obsolete items.

Government Grants are shown as revenue and the related asset is valued at cost.

Equipment acquired but not placed into use is not amortized until placed into use.

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1. ACCOUNTING POLICIES (continued):

Financial instruments policy:

Financial instruments originating in an arm's length transaction are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship are subsequently measured at fair value. Equity instruments that are quoted in an active market were recorded at market value in the past, but the Society changed the accounting policy to cost in the 2023 fiscal year. All other financial instruments are subsequently measured at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Society has elected not to carry these other financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs. These costs are amortized using the straight-line method.

In the case of financial instruments that originate as a result of a related party transaction, initial measurement will be at the exchange amount or carrying value in accordance with Section 3856, Financial Instruments.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the company determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial assets. This significant adverse change could arise from either the future use of the asset, the amount that could be realized from selling the financial asset or the amount the company expects to realize by exercising the right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial impairment change.

Measurement uncertainty:

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the carrying amount of property, plant and equipment and silviculture liabilities. Actual results could differ from those estimates.

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 2. INVENTORY:

	2023	2022
Culverts	\$ 21,175	\$ 28,613
Logs	<u>167,111</u>	<u>110,835</u>
Total inventory	<u>\$ 188,286</u>	<u>\$ 139,448</u>

NOTE 3. GUARANTEED INVESTMENT CERTIFICATES:

	2023	2022
Steinbach C.U. GIC, interest at 2.3%, matured November 2, 2022	\$ -	\$ 100,000
Vancity GIC, interest at 2.8%, matured March 15, 2023	-	100,000
Canadian Western GIC, interest at 3.1%, matured May 29, 2023	-	100,000
Steinbach Credit Union GIC, interest at 3%, maturing October 5, 2023	100,000	100,000
Steinbach Credit Union GIC, interest at 3%, maturing October 24, 2023	100,000	100,000
MCan GIC, interest at 2.7%, maturing May 24, 2024	100,000	100,000
First Ontario CU GIC, interest at 2.4%, maturing October 1, 2024	100,000	100,000
First Ontario CU GIC, interest at 2.4%, maturing October 1, 2024	150,000	150,000
Steinbach Credit Union, interest at 4.1%, maturing June 2, 2025	100,000	100,000
Meridan CU GIC, interest at 1.55%, maturing October 28, 2025	50,000	50,000
League Savings GIC, interest at 1.45%, maturing March 16, 2026	100,000	100,000
Coast Capital GIC, interest at 1.45%, maturing March 16, 2026	100,000	100,000
General Bank of Canada GIC, interest at 1.72%, maturing May 18, 2026	100,000	100,000
Versa GIC, interest at 1.67%, maturing June 1, 2026	100,000	100,000
Interior Savings term deposit, interest at 1.45%, maturing Oct 25, 2026	111,743	109,067
Accrued GIC Interest	<u>77,363</u>	<u>78,034</u>
Sub total	\$ 1,289,106	\$ 1,587,101
Less: current portion	<u>(300,000)</u>	<u>(325,305)</u>
	<u>\$ 989,106</u>	<u>\$ 1,261,796</u>

All GIC investments are valued at cost plus accrued interest.

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 4. QTRADE INVESTOR:

	2023	2022
Cash, appropriated for long term use	\$ 131,620	\$ 2,047,553
Self-directed equities	2,320,643	271,216
Mutual Funds - Money market fund	-	104,592
Fixed income - GIC's	<u>446,555</u>	<u>75,060</u>
Sub total	\$ 2,898,818	\$ 2,498,421
Less: current portion	<u>(287,500)</u>	<u>-</u>
	<u><u>\$ 2,611,318</u></u>	<u><u>\$ 2,498,421</u></u>

All investments are valued at cost and appropriated for long term use.

NOTE 5. PROPERTY AND EQUIPMENT:

	Cost	Accumulated Amortization	2023 Net	2022 Net
Land	\$ 506,898	\$ -	\$ 506,898	\$ 506,898
Buildings	477,822	91,672	386,150	402,240
Field and radio equipment	354,322	245,138	109,184	132,793
Sawmill equipment	571,402	123,841	447,561	480,667
Automotive	190,222	164,620	25,602	41,382
Computer equipment	11,101	6,942	4,159	3,108
Fencing	<u>2,339</u>	<u>1,027</u>	<u>1,312</u>	<u>1,458</u>
	<u><u>\$ 2,114,106</u></u>	<u><u>\$ 633,240</u></u>	<u><u>\$ 1,480,866</u></u>	<u><u>\$ 1,568,546</u></u>

Some of the sawmill equipment has not been amortized in fiscal 2023 because this equipment is not yet in use. The carrying amount of these assets are \$90,879 (2022 \$90,879).

The boiler and auger were two assets destroyed by fire during the year. The original cost of \$33,102 less accumulated amortization of \$8,827, left a net book value of \$24,275 which was recorded as a loss to fixed assets on the statement of operations.

NOTE 6. DEFERRED GRANT REVENUE:

The society recognized the Canada Employment Business Account (CEBA) grant of \$20,000 in the prior year.

During the year, Canada Summer Jobs grant and Project Learning Tree grants totalled \$20,236 (2022 - \$47,031).

The society received \$16,500 from the TNRD and \$50,000 from the District of Barriere for the Trans Mountain LP education fund. The society will track this grant and disburse \$6,650 per year for 10 years. The deferred grant revenue at June 30, 2023 is \$56,525 (2022 - \$59,850).

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 7. SILVICULTURE LIABILITY:

	2023	2022
Timbermark BB7004	\$ 23,689	\$ 23,689
Timbermark BB7005	41,626	42,350
Timbermark BB7006	9,652	13,717
Timbermark BB7007	9,484	9,484
Timbermark BB7009	24,052	28,864
Timbermark BB7997	26,392	28,384
Timbermark BB7998	5,012	5,283
Timbermark K1Z001	31,409	29,165
Timbermark K1Z002	46,342	47,322
Timbermark K1Z003	16,775	17,258
Timbermark K1Z004	19,000	20,722
Timbermark K1Z005	28,501	28,931
Timbermark K1Z006	50,002	50,002
Timbermark K1Z007	19,917	19,917
Timbermark K1Z008	288,564	288,919
Timbermark K1Z008 - 2015W+	100,188	100,721
Timbermark K1Z008 - 2016W+	93,271	93,271
Timbermark K1Z009 - 2017W+	64,841	64,841
Timbermark K1Z009 - 2018W+	114,425	114,425
Timbermark K1Z009 - 2019W+	58,485	58,485
Timbermark K1Z009 - 2020W+	94,846	94,846
Timbermark K1Z010 - 2021W+	119,985	239,338
Timbermark K1Z010 - 2022W+	160,241	-
Non-obligated	132,934	78,432
Silviculture Contingency Funds	<u>150,000</u>	<u>150,000</u>
	\$ 1,729,633	\$ 1,648,366
Less: current portion	<u>(218,691)</u>	<u>(263,847)</u>
	<u><u>\$ 1,510,942</u></u>	<u><u>\$ 1,384,519</u></u>

Lower North Thompson Community Forest Society has an obligation to restore logged areas to the free growing stage as determined by the Ministry of Forests, Lands and Natural Resource Operations. When these areas are logged, a silviculture liability is set up to estimate the cost of this reforestation. Reforestation involves site preparation, seed, tree planting, brushing and surveying and takes approximately 10 to 20 years to complete. The estimated liability could vary from the actual cost resulting in a gain or loss in the financial statements when the free growing stage is reached. The estimated liability is reviewed for accuracy every six months.

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 8. RESTRICTED FOR EXPANSION AND JOB CREATION:

This fund has been established to help fund activities that enhance the long-term viability of the local economy and add to sustainable employment.

	2023	2022
Opening Balance, beginning of the year	\$ 250,000	\$ 250,000
Additions	2,900,000	100,000
Expended	<u>-</u>	<u>(100,000)</u>
Closing Balance, end of the year	<u><u>\$ 3,150,000</u></u>	<u><u>\$ 250,000</u></u>

NOTE 9. RESTRICTED FOR SKATE PARK:

On February 13, 2020 the Board of Directors supported the donation of up to \$40,000 to the Barriere Skate Park. An initial \$10,000 was disbursed to the District of Barriere to be held in trust for the group contingent on securing additional funding sources. This left \$30,000 set aside in a restricted fund for this project. Subsequently costs for the project rose to more than the initial \$124,000 estimate, and the Society decided to allocate a further \$25,000 to support the project. The Skatepark was constructed in fall 2022, and accordingly the allocated monies were fully paid out in December 2022, totalling \$55,000 in fiscal 2022/23.

	2023	2022
Opening Balance, beginning of the year	\$ 55,000	\$ 30,000
Additions	-	25,000
Expended	<u>(55,000)</u>	<u>-</u>
Closing Balance, end of the year	<u><u>\$ -</u></u>	<u><u>\$ 55,000</u></u>

NOTE 10. RESTRICTED FOR ENVIRONMENT:

This fund has been established to help fund activities that enhance the long-term health and sustainability of our natural environment. A total of \$50,000 was paid out in the 2023 fiscal to support well system upgrades for the Dunn Lake Hatchery operated by the Simpcw First Nation.

	2023	2022
Opening Balance, beginning of the year	\$ 50,000	\$ 50,000
Additions	50,000	-
Expended	<u>(50,000)</u>	<u>-</u>
Closing Balance, end of the year	<u><u>\$ 50,000</u></u>	<u><u>\$ 50,000</u></u>

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 11. RESTRICTED FOR EDUCATION:

This fund has been established to assist with any worthy educational endeavours in the Lower North Thompson.

	2023	2022
Opening Balance, beginning of the year	\$ 30,000	\$ 30,000
Additions	-	-
Expended	<u>-</u>	<u>-</u>
Closing Balance, end of the year	<u>\$ 30,000</u>	<u>\$ 30,000</u>

NOTE 12. RESTRICTED FOR FOREST STEWARDSHIP:

The Board of Directors decided by way of motion to set aside \$30,000 each year for a Forest Stewardship Program with the amount to be reviewed by the Board annually. The amount increased in fiscal 2022 and 2023.

	2023	2022
Opening Balance, beginning of the year	\$ 61,964	\$ 47,280
Additions	50,000	40,000
Expended	<u>(45,301)</u>	<u>(25,316)</u>
Closing Balance, end of the year	<u>\$ 66,663</u>	<u>\$ 61,964</u>

Note 13. RESTRICTED FOR SCHOLARSHIPS:

The Society has granted scholarships and bursaries that have not yet been paid out. These are contingent on the students registering at a post-secondary educational institution before receiving the funds. In 2023 \$50,000 new funds were awarded to the 2023 grad class. During the 2023 fiscal year \$38,000 of scholarships and bursaries were paid out.

	2023	2022
Opening Balance, beginning of the year	\$ 50,500	\$ 25,500
Additions	50,000	40,000
Expended	(38,000)	(13,000)
Expired	<u>(7,500)</u>	<u>(2,000)</u>
Closing Balance, end of the year	<u>\$ 55,000</u>	<u>\$ 50,500</u>

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 14. **RESTRICTED FOR COMMUNITY GRANTS:**

This fund has been established to fund various local community not-for-profit organizations through an annual grant application process.

	2023	2022
Opening Balance, beginning of the year	\$ 13,876	\$ -
Additions	111,124	100,000
Expended	<u>(125,000)</u>	<u>(86,124)</u>
Closing Balance, end of the year	\$ <u>-</u>	\$ <u>13,876</u>

NOTE 15. **LEASE COMMITMENTS:**

The Society leases a facility under a lease agreement with no expiry date. Under the terms of the lease the Society is required to pay \$425 per month. The annual minimum payments are \$5,100.

NOTE 16. **LAND BASED INVESTMENT PROGRAM and FOREST ENHANCEMENT SOCIETY OF BC:**

The Society regularly participates in the Land Based Investment Program through the Ministry of Forests, Lands and Natural Resource Operations. Funding received during the year was \$320,214 (2022- \$56,937) and \$290,681 (2022 - \$50,527) has been expensed during the year.

In fiscal 2023 the society received funding for three new projects applied for through The Forest Enhancement Society of BC (FESBC). The FESBC is an organization formed by the provincial government to provide funding to support investments in the forest landbase. Funding received during the year was \$7,290 (2022 - \$0) and \$32,180 (2022 - \$0) has been expensed during the year.

The Wildfire risk reduction (WRR) program started in fiscal 2021 and is administered through the Ministry of Forests. The program includes fuel management, prescribed fires, risk reduction activities, operational projects funded by the CRI Crown Land WRR category and infrastructure. Funds need to be applied for each year. In fiscal 2023 \$28,900 (2022 - \$49,526) of approved revenue and \$39,464 (2022 - \$65,675) of expenses were incurred.

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 17. LOG PURCHASES AND DIRECT COSTS:	2023	2022
Log inventory, beginning of the year	\$ 110,835	\$ 147,756
Log purchases	3,230	2,449
Purchases for product sales	-	4,391
Logging and hauling	125,361	80,902
Less log inventory, end of year	<u>(167,111)</u>	<u>(110,835)</u>
Net direct costs	<u>\$ 72,315</u>	<u>\$ 124,663</u>

NOTE 18. CHANGE IN ACCOUNTING POLICY FOR INVESTMENTS:

Effective July 1, 2022 the Society changed its accounting policy to measure its portfolio investments at cost, only recognizing gains or losses upon sale. Previously, the Society measured portfolio investments at fair market value, creating large unrealized gains or losses each year.

The change in policy has been made because management is of the opinion that recognizing gains and losses upon sale is more beneficial to financial statement users. Market values can change frequently, creating large unrealized gains and losses on the Statement of Operations, which management would like to avoid.

The impact of the change of policy for the previous year was to reverse \$34,345 of previously recognized unrealized gains.

Note 19. FINANCIAL RISKS AND CONCENTRATION OF RISK:

The Society is exposed to various risks through its financial instruments without being exposed to concentrations of risk. The main risks are detailed below.

Credit risk

Credit risk is the risk that one party to a financial asset will cause a financial loss for the Society by failing to discharge an obligation. The Society's credit risk is mainly related to accounts receivable. In order to reduce its credit risk, the Society reviews a new customers' credit history before extending credit and conducts regular reviews of its existing customers' credit performance. Management is of the opinion that credit risk is not a significant risk and there has been no change to the risk exposure from 2022.

Market risk

Market risk is the risk that the fair value or future cash flows of the Society's financial instruments will fluctuate because of changes in market prices. The Society's investments expose it to this risk, which comprises currency risk, interest rate risk and other price risk. The Society is mainly exposed to interest rate risk and there has been no change to the risk exposure from 2022.

NOTE 20. HARVEST VOLUME:

The Society harvested a total of 30,118 m³ over approximately 121.2 ha within the 2023 fiscal year (9,905 m³ fiscal 2022). As the Society operates under a single cutting permit with a five year cycle, volumes will average to 18-20,000 m³ annually over the five year cycle, with year to year variation dependant on planning objectives, timber prices and conditions.